



STAFF REPORT

TO: Mayor and Members of the City Council
FROM: Pak Lin, Admin. Services Director
VIA: Brian Dossey, City Manager
MEETING DATE: February 24, 2021
SUBJECT: FY 2020-21 Mid-Year Investment Report

RECOMMENDATION

Staff recommends that the City Council make the following motion:

MOTION ACCEPTING THE FISCAL YEAR 2020-21 ANNUAL INVESTMENT REPORT THROUGH DECEMBER 31, 2020

EXECUTIVE SUMMARY

The Town's unrestricted cash and investment totals \$27.22 million as of December 31, 2020. On December 31, 2020, the Town has \$5.91 million in Cash-in-Bank, \$2.13 million in the State's investment pool Local Agency Investment Fund (LAIF), \$14.05 million in the San Mateo County Investment Pool (SMCIF), and \$5.13 million in brokered CDs. Through December 31, 2020, the total portfolio earnings are \$133,558, or 40% of the FY 2020-21 amended budget.

In August 2020, the Town transferred \$1.5 million from the SMCIF to the general bank to cover the \$2.8 million Mission Road capital improvement project costs. Without this transfer, the average Cash-in-Bank balance would be \$2.1 million, uncomfortably low for the Town.

The Town has three restricted funds, with \$4.81 million in OPEB trust, \$1.45 million in pension trust, and \$1.14 in the debt custody account. Both OPEB and pension trusts are managed by Public Agency Retirement Services (PARS) and are classified as IRC Section 115 irrevocable trusts. The debt custody account is held in the Bank of New York Mellon and is designated for the COP debt repayment.

FISCAL IMPACT

There is no fiscal impact in accepting this investment report.

BACKGROUND

Periodically, the City Council reviews and approves the Town's investment policy for compliance with State statute (California Government Code Section §53600, et seq.) and sets investment guidelines for the safekeeping of public funds. For day-to-day operations, the City Council designated the City Manager, or his designee, to maintain cash balances to meet daily operational needs and to keep the Town's purchasing power through safe and secure investments. Most of

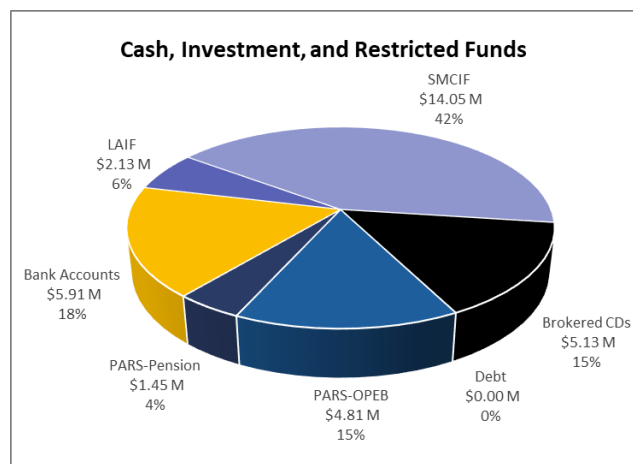
the Town investments are placed in the State and the San Mateo County investment pools, which invest funds for more than one public agency. Both pools comply with the State statute and allocate most of their funds in agency and treasury bonds.

The City Manager or his designee is required to review the Town’s investment policy annually and to provide semi-annual investment updates. The Investment Policy was last reviewed and approved by the City Council on July 24, 2019 and no change is proposed at this time.

This report summarizes the investment activities for the first half of the Fiscal Year 2020-21. It includes the beginning and ending balances by quarter; net Deposits and Withdrawals by quarter; total interest earned by quarter; the effective annual interest rates earned by quarter; and the cumulative weighted average. This report provides the required information, including additional narrative explanations.

ANALYSIS

On December 31, 2020, the Town has a balance of \$33,478,006 in various cash and investment accounts. Unrestricted cash and investment has an aggregate balance of \$27,215,965 and restricted investments total \$6,262,041. The restricted funds consist of \$4,811,567 in PARS OPEB Trust to fund future retiree medical and dental costs, \$1,450,473 in PARS Pension trust to fund future pension costs, and \$1.14 in Bank of New York Mellon to offset debt payments.



The unrestricted funds of \$27,215,965 include \$5,909,567 in Cash-in-Bank, \$16,171,963 in the State (LAIF) and county (SMCIF) pools, and \$5,134,435 in brokered CDs. The pooled accounts focus on liquidity and safekeeping of the assets. The investment strategy for both pools invests 50% or more in agency and treasury bonds and the rest in high-quality low-risk investments. The brokered CDs are limited to \$250,000 per issuer and are fully insured by FDIC or NCUSIF.

Transaction Activity

	Balance @ 12/31/2019	Balance @ 12/31/2020	Increase/ (Decrease)
Town of Colma Cash & Investment			
Cash In Bank	\$ 5,343,979	\$ 5,909,567	\$ 565,588
Public Agency Investment Pools			
Local Agency Investment Fund (LAIF)	2,079,500	2,126,605	47,105
San Mateo County Investment Fund (SMCIF)	15,276,729	14,045,358	(1,231,371)
Other Investment			
Brokered CDs	4,959,582	5,134,435	174,853
Total Cash & Investment	\$ 27,659,790	\$ 27,215,965	\$ (443,826)

Overall, the Town's unrestricted cash & investments decreased by \$443,826.

- The increase of \$565,588 in Cash-in-Bank results from Town operation.
- The increase of \$47,105 in LAIF represents interest earnings distributed in July 2020 and October 2020 for the prior quarter's earnings.
- The decrease of \$1,231,371 in SMCIF includes interest earnings of \$268,629 and a one-time transfer of \$1.5 million to Cash-in-Bank to offset the impact of the COVID-19 recession and to prepare for the upcoming capital spending. The construction phase of the \$2.8 million Mission Road project began in the Summer of 2020. The corresponding grants totaling \$835,000 are reimbursed after payments have occurred.
- The increase of \$174,853 in brokered CDs comprises \$79,957 in interest earnings, \$160,041 in Net Change in Portfolio, and \$65,145 transfer of interest earnings to Cash-in-Bank. Net Change in Portfolio represents the difference between market price and the beginning balance. The Net Change in Portfolio will be transferred to the Town's Cash-in-Bank when the CDs mature or when called. The purchase price of the CDs totals \$4,960,000.

FY 2020-21 Investment Summary by Quarter

	2020Q3 @ 9/30/2020	2020Q4 @ 12/31/2020	Total Sep '20 - Dec '20
Local Agency Investment Fund (LAIF)			
Beginning Balance	\$ 2,114,383.69	\$ 2,122,098.67	\$ 2,114,383.69
Purchases / Deposits	-	-	-
Withdrawals	-	-	-
Interest Posted	7,714.98	4,506.23	12,221.21
Ending Balance	\$ 2,122,098.67	\$ 2,126,604.90	\$ 2,126,604.90
San Mateo County Investment Fund (SMCIF)			
Beginning Balance	\$ 15,426,170.66	\$ 13,988,084.50	\$ 15,426,170.66
Purchases / Deposits	-	-	-
Withdrawals	(1,500,000.00)	-	(1,500,000.00)
Interest Posted	61,913.84	57,273.63	119,187.47
Ending Balance	\$ 13,988,084.50	\$ 14,045,358.13	\$ 14,045,358.13
Brokered CDs			
Beginning Balance	\$ 5,131,181.47	\$ 5,136,881.22	\$ 5,131,181.47
Purchases / Deposits	-	-	-
Withdrawals	(29,399.81)	(14,098.57)	(43,498.38)
Dividend/Interest Posted ^[1]	10,686.46	24,786.27	35,472.73
Net Change in Portfolio ^[2]	24,413.10	(13,134.03)	11,279.07
Ending Balance	\$ 5,136,881.22	\$ 5,134,434.89	\$ 5,134,434.89
Total Investment Portfolio			
Beginning Balance	\$ 22,671,735.82	\$ 21,247,064.39	\$ 22,671,735.82
Purchases / Deposits	-	-	-
Withdrawals	(1,529,399.81)	(14,098.57)	(1,543,498.38)
Interest Posted	80,315.28	86,566.13	166,881.41
Net Change in Portfolio	24,413.10	(13,134.03)	11,279.07
Ending Balance	\$ 21,247,064.39	\$ 21,306,397.92	\$ 21,306,397.92

NOTES on Brokered CD:

[1] Withdrawals represent the amount of interest/dividend transferred back to the Town's general bank account. This is a monthly transfer and the sole purpose is to keep the brokered CD purchase value at \$5.0 million or less.

[2] Net Change in Portfolio represents the difference in closing market value of the investment and the beginning value.

Earnings / Distribution of Portfolio

The Town's investment portfolio performed as expected, with a weighted average of 1.124% in 2020Q3 and 0.916% in 2020Q4. The reduction in weighted average is typical of the bond market during economic uncertainties. When the market behaves unpredictably, debt/bond investments become more attractive, allowing companies to refinance the debt/bond at a lower interest rate. Due to the COVID-19 recession, eight issuers recalled their bonds. The average estimated yield for the eight original CDs was 1.956%. The replacement CDs averages 0.850%. The replacement CDs were the highest yielding CDs at the time of the replacement. The full list of brokered CDs is available in Attachment A.

FY 2020-21 Portfolio Earnings by Quarter

	2020Q3		2020Q4		Interest	
	@ 9/30/2020	% of Portfolio	@ 12/31/2020	% of Portfolio	2020Q3	2020Q4
Balance(s)						
BANK BALANCE	\$ 4,114,172	16.2%	\$ 5,909,599	21.7%	1,629.15	519.79
LAIF	2,122,099	8.4%	2,126,605	7.8%	7,714.98	4,506.23
SMCIF	13,988,085	55.2%	14,045,358	51.6%	61,913.84	57,273.63
Brokered CDs	5,136,881	20.3%	5,134,435	18.9%	24,413.10	(13,134.03)
TOTAL	\$ 25,361,236		\$ 27,215,997		\$ 71,257.97	\$ 62,299.65
Effective Annual Interest Rates						
BANK BALANCE		0.158%		0.035%		
LAIF		1.454%		0.848%		
SMCIF		1.770%		1.631%		
Brokered CDs		1.901%		-1.023%		
Weighted Average	1.124%		0.916%			

REASONS FOR THE RECOMMENDED ACTION

The receipt of this report complies with the adopted Town Investment Policy.

COUNCIL ADOPTED VALUES

A periodic review of the Town's investment performance aligns with the City Council adopted responsibility value. It exemplifies financial accountabilities and ensures the safekeeping of public funds.

CONCLUSION

Staff recommends the City Council receive and accept the report.

ATTACHMENT

- A. Brokered CD Investment Summary

Town of Colma
Brokered CDs Investment Summary
From December 1, 2019 through Maturity

Attachment A

Maturity Year	Description	Rate	Settlement Date	Maturity Date	Redemption Date	Estimated Earning by Fiscal Year										
						Purchase Price @12/31/19	Settlement Price	Trade Price	Purchase Price @12/31/20	Earnings Thru 12/31/20	Jan-Jun 2021	2021-22	2022-23	2023-24	2024-25	Total Earnings
2021	METRO CR UN CHELSEA	1.700	12/18/2019	12/10/2021		\$ 249,000			\$ 249,000	\$ 4,245	\$ 2,111	\$ 2,122	\$ -	\$ -	\$ -	\$ 8,478
2021	KERN SCHS FED CR UN	1.800	12/18/2019	12/10/2021		\$ 249,000			\$ 249,000	\$ 4,494	\$ 2,235	\$ 2,235	\$ -	\$ -	\$ -	\$ 8,964
2021	STATE BK INDIA NEW YORK	1.750	12/19/2019	12/13/2021		\$ 247,000			\$ 247,000	\$ 4,334	\$ 2,155	\$ 2,167	\$ -	\$ -	\$ -	\$ 8,657
2021	SB ONE BK FRANKLIN	1.750	12/23/2019	12/23/2021	6/23/2020	\$ 247,000	\$ (247,000)		\$ -	\$ 2,167	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,167
2022	STEARNS BK NA ST	1.700	12/19/2019	8/16/2022		\$ 247,000			\$ 247,000	\$ 4,211	\$ 2,094	\$ 4,199	\$ 702	\$ -	\$ -	\$ 11,205
2022	BMW BK NORTH AMER	1.800	12/17/2019	12/13/2022		\$ 247,000			\$ 247,000	\$ 4,458	\$ 2,217	\$ 4,446	\$ 2,229	\$ -	\$ -	\$ 13,350
2022	MERRICK BK SOUTH	1.700	12/18/2019	12/19/2022		\$ 249,000			\$ 249,000	\$ 4,245	\$ 2,111	\$ 4,233	\$ 2,134	\$ -	\$ -	\$ 12,722
2022	FRANKLIN SYNERGY BK	1.800	12/20/2019	12/20/2022	4/20/2020	\$ 249,000	\$ (249,000)		\$ -	\$ 1,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,498
2023	TEXAS EXCHANGE BK	1.900	12/11/2019	12/11/2023	6/11/2020	\$ 249,000	\$ (249,000)		\$ -	\$ 2,372	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,372
2023	TEXAS SEC BK DALLAS	1.850	12/20/2019	12/20/2023	3/20/2020	\$ 249,000	\$ (249,000)		\$ -	\$ 1,148	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,148
2023	MEDALLION BK SALT	1.700	12/23/2019	12/22/2023		\$ 249,000			\$ 249,000	\$ 4,245	\$ 2,111	\$ 4,233	\$ 4,233	\$ 2,111	\$ -	\$ 16,932
2023	CELTIC BK SALT LAKE	1.800	12/27/2019	12/27/2023		\$ 249,000			\$ 249,000	\$ 4,494	\$ 2,235	\$ 4,482	\$ 4,482	\$ 2,247	\$ -	\$ 17,940
2024	LIVE OAK BKG CO	1.800	12/17/2019	6/13/2024		\$ 249,000			\$ 249,000	\$ 4,347	\$ 2,235	\$ 4,482	\$ 4,482	\$ 4,642	\$ -	\$ 20,187
2024	SALLIE MAE BK SALT	1.950	12/16/2019	11/27/2024		\$ 247,000			\$ 247,000	\$ 4,830	\$ 2,388	\$ 4,817	\$ 4,817	\$ 4,830	\$ 2,428	\$ 24,109
2024	GOLDMAN SACHS BK USA	2.100	12/17/2019	12/11/2024	6/11/2020	\$ 247,000	\$ (247,000)		\$ -	\$ 2,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,601
2024	MORGAN STANLEY BK N	1.950	12/16/2019	12/12/2024		\$ 247,000			\$ 247,000	\$ 4,830	\$ 2,402	\$ 4,817	\$ 4,817	\$ 4,830	\$ 2,415	\$ 24,109
2024	MORGAN STANLEY PRIVATE BK	1.950	12/16/2019	12/12/2024		\$ 247,000			\$ 247,000	\$ 4,830	\$ 2,402	\$ 4,817	\$ 4,817	\$ 4,830	\$ 2,415	\$ 24,109
2024	BMO HARRIS BK NATL	2.050	12/16/2019	12/12/2024	6/12/2020	\$ 248,000	\$ (248,000)		\$ -	\$ 2,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,549
2024	JPMORGAN CHASE BK NA	2.100	12/17/2019	12/17/2024	6/17/2020	\$ 247,000	\$ (247,000)		\$ -	\$ 2,601	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,601
2024	SILVERGATE BK LA	2.100	12/27/2019	12/27/2024	3/27/2020	\$ 249,000	\$ (249,000)		\$ -	\$ 1,304	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,304
2025	SAN FRANCISCO FED CR UN	1.100	3/27/2020	3/27/2025				\$ 249,000	\$ 249,000	\$ 2,064	\$ 1,366	\$ 2,739	\$ 2,739	\$ 2,747	\$ 2,049	\$ 13,703
2025	PACIFIC ENTERPRISE BK	1.050	3/31/2020	3/31/2025				\$ 249,000	\$ 249,000	\$ 2,157	\$ 1,420	\$ 2,864	\$ 2,864	\$ 2,871	\$ 2,150	\$ 14,325
2025	AMERICAN EXPRESS NATL BK	1.100	4/20/2020	3/24/2025				\$ 248,000	\$ 248,000	\$ 1,375	\$ 1,353	\$ 2,728	\$ 2,728	\$ 2,735	\$ 2,728	\$ 13,647
2025	FLAGSTART BK FSB	0.800	6/12/2020	5/29/2025				\$ 249,000	\$ 249,000	\$ 1,004	\$ 988	\$ 1,992	\$ 1,992	\$ 1,997	\$ 1,992	\$ 9,965
2025	FIDELITY CO-OPERATIVE BK	0.700	6/12/2020	6/12/2025				\$ 248,000	\$ 248,000	\$ 870	\$ 866	\$ 1,736	\$ 1,736	\$ 1,741	\$ 1,736	\$ 8,685
2025	SUMMIT ST BK SANTA ROSA	0.650	6/12/2020	6/12/2025				\$ 247,000	\$ 247,000	\$ 805	\$ 801	\$ 1,606	\$ 1,606	\$ 1,610	\$ 1,606	\$ 8,032
2025	MALAGA BK FSB	0.700	6/23/2020	5/29/2025				\$ 247,000	\$ 247,000	\$ 1,014	\$ 862	\$ 1,729	\$ 1,729	\$ 1,734	\$ 1,582	\$ 8,650
2025	BANK WIS DELLS WIS CTF	0.700	6/26/2020	6/26/2025				\$ 247,000	\$ 247,000	\$ 867	\$ 862	\$ 1,729	\$ 1,729	\$ 1,734	\$ 1,729	\$ 8,650
						\$ 4,961,000	\$ (1,985,000)	\$ 1,984,000	\$ 4,960,000	\$ 79,957	\$ 35,211	\$ 64,171	\$ 49,833	\$ 40,657	\$ 22,829	\$ 292,659

Summary by Fiscal Year

Maturity Year	Total Principal	Average Weighted Rate
2021	\$ 745,000	1.750
2022	\$ 743,000	1.750
2023	\$ 498,000	1.813
2024	\$ 990,000	2.000
2025	\$ 1,984,000	0.850
Total	\$ 4,960,000	1.573